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From:

Sent: Tuesday, October 16, 2012 10:42 AM

To:

Cc:

Subject: RE: Revised W-2 – ITRA Voucher

Thanks for your patience. I think the Form W-2c, Corrected Wage and Tax Statement, is correct and should not be changed. Box 1 should not be changed from the original W-2. Only Boxes 3 and 5 of the original W-2 should have been changed by the amount of the repayment, and boxes 4 (social security tax) and 6 (Medicare tax) of the original Form W-2 should have been changed as appropriate and this is what the Form W-2c did. The income and wages for income tax withholding purposes, including the amount of the income tax withholding which was paid under a gross-up procedure, was received and includible in gross income in . The repayment of \$ in does not affect gross income in . It is deductible in to the extent allowable. See Rev. Rul. 79-311, 1979-2 C.B. 25.

The following is an excerpt from IRS Publication 15 on Wage Repayments:

Repayment of prior year wages. If you receive repayments for wages paid during a prior year, report an adjustment on Form 941-X or Form 944-X to recover the social security and Medicare taxes. You may not make an adjustment for income tax withholding because the wages were wages and income to the employee for the prior year.

You also must file Forms W-2c and W-3c with the SSA to correct social security and Medicare wages and taxes. Do not correct wages (box 1) on Form W-2c for the amount paid in error. Give a copy of Form W-2c to the employee.

Employee reporting of repayment. The wages paid in error in the prior year remain taxable to the employee for that year. This is because the employee received and had use of those funds during that year. The employee is not entitled to file an amended return (Form 1040X) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or credit in some cases) for the repaid wages on his or her income tax return for the year of repayment.

I hope this is helpful.